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9 August 1967

ECHECAGO TRANS AND PROSPECTS IN THE MINUTE RAST (Asses I to SEES Report)

Acceptated Outline

I. Characteristics of the Area

A. General Characteristics

This section will expend somewhat on Section IA of the present draft. The principal characteristics of the area are: that it is poor in resources, except oil; that the evailable resources are poorly distributed within political boundaries; and that some of the better endowed countries use their resources poorly. A comparison will be made of per capita arable land, per capita oil production, and per capita income in most of the countries.

B. Population

This section will discuss the distribution and growth of the population the determinants of population growth (declining death rates while birth rates remain high) and rural underemployment and the drift of population to the cities. In general, it appears that, barring the implementation of strong birth control measures, population growth will accelerate for many years before it begins to slow down.

C. Agriculture

This section will commist essentially of Section IB of the present draft, with possibly some slight expansion to characterize subregions more fully.

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This section will treat oil mainly from the point of view of the development prospects of Middle Enstern economies. Section IC of the present draft will be expended by two or three pages to show more complete information on reserves, production and earnings, and to bring out more clearly the importance of oil in the economies of the Bear Enstern countries. A brief description of the competitive position of Middle Eastern oil and of alternative sources of energy will be included.



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E. Other Matural Resources

This brief section will show that the Hear East has few natural resources other than oil and gas -- phosphates in North Africa and Jordan, a few ores.

F. Industrialization

This section will show to what extent manufacturing has been developed in the area. In general, the share of manufacturing in CEP is very small.

G. Dependence on Foreign Trade

This section will characterize and illustrate the role of imports and exports in the economies of the area. It will consider not only over-all dependence on imports, but also that of the modern sectors of the economies for imported capital goods and materials, and of the urban population for imported food. The extent to which imports have been covered by foreign exchange earnings or by foreign aid also will be considered.

II. Problems in Economic Growth

A. Growin Trends

This section will briefly describe trends in the growth of CMP, agricultural production, oil production, and manufacturing production over the past 5 to 10 years.

B. General Discussion of Growth Problems

This section will characterize the main determinants of and obstacles to economic growth in the area. Like less developed countries the world over, many Hear Eastern countries have had difficulty financing economic development. Even where financing has been ample, as in the oil economies, there have been serious human and technical obstacles to growth, and throughout the area to varying degrees there have also been serious institutional and political obstacles.

C. Financial Problems

This section will discuss the principal sources of funds and their use for economic development.

1. Oil Income

The pattern of growth of income from oil production and the economic and political factors affecting this growth will be discussed briefly. The extent to which oil income has been used for economic development will be examined.

2. Other Sources of Domestic Savings

The very limited ability of these economies to generate domestic savings will be shown. Israel, Iran, and Egypt are only partial exceptions. In Egypt, the drawing down of foreign exchange holdings was a major source of financing development.

3. Foreign Aid

The importance of foreign aid in the economic development of the area will be examined. Official aid will be distinguished from private investment. The extent to which foreign aid supports current income levels or contributes to development will be considered.

D. Human and Technical Problems

This brief section will point up the lack of skills in the area and the extent to which economic development has required the importation of skills and technology. In some countries, such as Kuwait and Libys, even unskilled labor must be imported.

E. Institutional and Political Problems

This section will characterise the institutional and political obstacles to economic growth in the Hear East. Many problems reflect the inevitable growing pains of developing countries. But other problems appear to be peculiar to the Arab world.

1. land Temure and Land Reform

In many countries of the area, the present system of land tenure gives few incentives for improving agriculture. But land reform often creates serious problems, at least of a transitional nature, such as reducing production for the market. The seriousness of these problems will be considered briefly.

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3. Arab Socialism

The unfavorable consequence for economic growth of the doctrinaire aspects of Arab socialism will be discussed: for example, the discouraging of private investment; the construction of poorly conceived investment projects by the state; inefficiency in planning and administration by overtaxed state employees.

4. Folitical Instability

5. Hopeful Signs

The fact that some countries in the area, for example Iran, Lebanon, Jordan, and Tunisia have followed sensible and non-doctrinaire policies with considerable success will be emphasized.

F. The Fole of Foreign Powers

This section will consider the role of the major foreign powers (the USSR, the U.K., France, and the United States) in the economic development of the region in the past 5 to 10 years. A brief comparison will be made of the amount, type, and pattern of aid from these countries, and an attempt will be made to characterize the similarities and differences between these programs and their effects.

III. The Effects of the Arab-Israeli War

This section will treat briefly the general effects of the war on the area and some of its specific effects especially on Israel, Jordan, and the UAR. An attempt will be made to show which of these effects are inevitable, and which are contingent on the future course of events (boundary settlements, etc.).

IV. Prospects

A. General Economic Policies

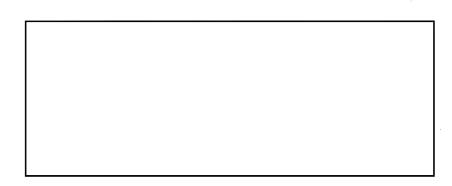
This section will generalize about policy trends in the area. It appears that the desire to modernize the economy is increasing in most, if not all, of the countries, but that severe political constraints probably will continue to prevent major moves toward a more rational use of resources, nationally or regionally.

B. Prospects for Economic Growth

This section will briefly discuss prospects for the main determinants for economic growth -- oil income, foreign aid, technological change, institutional development and intra-regional cooperation -- and will draw some general conclusions, and not necessarily specific numerical projections, as to the prospects for growth in the area. This section will be considerably shorter than Section II above, but will draw on Section II to show likely trends wherever pertinent.

C. Problems and Opportunities for Foreign Powers

This section will attempt to bring out the problems and opportunities that future growth in the area may create for the USSR, France, the U.K., and especially the U.S. Such factors as the need of individual countries or groups of countries for foreign assistance, the possibilities for promoting intra-regional cooperation, and possibly other relevant considerations will be discussed.



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